

AMENDED IN SENATE JUNE 18, 2012
AMENDED IN ASSEMBLY MARCH 29, 2012
CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 2481

Introduced by Assembly Member Morrell

February 24, 2012

An act to amend Section 16522 of the Government Code, relating to financial institutions.

LEGISLATIVE COUNSEL'S DIGEST

AB 2481, as amended, Morrell. Financial institutions.

Existing law requires banks to deposit specified securities, which include, among other things, specified letters of credit issued by the Federal Home Loan Bank of San Francisco, with the Treasurer in order to be eligible to receive and retain demand or time deposits of state funds.

This bill would instead include letters of credit issued by any Federal Home Loan Bank.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 16522 of the Government Code is
2 amended to read:
3 16522. The following securities may be received as security
4 for demand and time deposits:

1 (a) Bonds, notes, or other obligations of the United States, or
2 those for which the faith and credit of the United States are pledged
3 for the payment of principal and interest, including the guaranteed
4 portions of small business administration loans, so long as those
5 loans are obligations for which the faith and credit of the United
6 States are pledged for the payment of principal and interest.

7 (b) Notes or bonds or any obligations of a local public agency
8 (as defined in the United States Housing Act of 1949) or any
9 obligations of a public housing agency (as defined in the United
10 States Housing Act of 1937) for which the faith and credit of the
11 United States are pledged for the payment of principal and interest.

12 (c) Bonds of this state or of any county, city, town, metropolitan
13 water district, municipal utility district, municipal water district,
14 bridge and highway district, flood control district, school district,
15 water district, water conservation district or irrigation district within
16 this state, and, in addition, revenue or tax anticipation notes, and
17 revenue bonds payable solely out of the revenues from a
18 revenue-producing property owned, controlled or operated by this
19 state, or such local agency or district, or by a department, board,
20 agency, or authority thereof.

21 (d) Registered warrants of this state.

22 (e) Bonds, consolidated bonds, collateral trust debentures,
23 consolidated debentures, or other obligations issued by the United
24 States Postal Service, federal land banks or federal intermediate
25 credit banks established under the Federal Farm Loan Act, as
26 amended, debentures and consolidated debentures issued by the
27 Central Bank for Cooperatives and banks for cooperatives
28 established under the Farm Credit Act of 1933, as amended,
29 consolidated obligations of the Federal Home Loan Banks
30 established under the Federal Home Loan Bank Act, bonds,
31 debentures and other obligations of the Federal National Mortgage
32 Association and of the Government National Mortgage Association
33 established under the National Housing Act as amended, in the
34 bonds of any federal home loan bank established under said act,
35 bonds, debentures, and other obligations of the Federal Home Loan
36 Mortgage Corporation established under the Emergency Home
37 Finance Act of 1970, and in bonds, notes, and other obligations
38 issued by the Tennessee Valley Authority under the Tennessee
39 Valley Authority Act, as amended.

1 (f) Bonds and notes of the California Housing Finance Agency
2 issued pursuant to Chapter 7 (commencing with Section 41700)
3 of Part 3 of Division 31 of the Health and Safety Code.

4 (g) Promissory notes secured by first mortgages and first trust
5 deeds upon residential real property located in California, provided
6 that:

7 (1) Notwithstanding Section 16521, the promissory notes shall
8 at all times be in an amount in value at least 50 percent in excess
9 of the amount deposited with the bank;

10 (2) The Treasurer issues regulations, establishes procedures for
11 determining the value of the promissory notes and develops
12 standards necessary to protect the security of the deposits so
13 collateralized;

14 (3) The depository may exercise, enforce, or waive any right or
15 power granted to it by promissory note, mortgage, or deed of trust;
16 and

17 (4) The following may not be used as security for deposits:

18 (i)

19 (A) Any promissory note on which any payment is more than
20 90 days past due,

21 (ii)

22 (B) Any promissory note secured by a mortgage or deed of trust
23 as to which there is a lien prior to the mortgage or deed of trust,
24 or

25 (iii)

26 (C) Any promissory note secured by a mortgage or deed of trust
27 as to which a notice of default has been recorded pursuant to
28 Section 2924 of the Civil Code or an action has been commenced
29 pursuant to Section 725a of the Code of Civil Procedure.

30 (h) Bonds issued by the State of Israel.

31 (i) Obligations issued, assumed, or guaranteed by the
32 International Bank for Reconstruction and Development, the
33 Inter-American Development Bank, the Asian Development Bank,
34 the African Development Bank, the International Finance
35 Corporation, or the Government Development Bank of Puerto
36 Rico.

37 (j) Any municipal securities, as defined by Section 3(a)(29) of
38 the Securities Exchange Act of June 6, 1934, (15 U.S.C. 78, as
39 amended), which are issued by this state or any local agency
40 thereof.

(k) Letters of credit issued by a Federal Home Loan Bank, which shall be in the form and shall contain provisions as the Treasurer may prescribe, and shall include the following terms:

(1) The Treasurer shall be the beneficiary of the letter of credit.

(2) The letter of credit shall be clean and irrevocable, and shall provide that the Treasurer may draw upon it up to the total amount in the event of the failure of the bank or if the bank refuses to permit the withdrawal of funds by the Treasurer or any other authorized state officer or employee.

SEC. 2. Section 53651 of the Government Code is amended to read:

53651. Eligible securities are any of the following:

(a) United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations for which the faith and credit of the United States are pledged for the payment of principal and interest, including the guaranteed portions of small business administration loans, so long as the loans are obligations for which the faith and credit of the United States are pledged for the payment of principal and interest.

(b) Notes or bonds or any obligations of a local public agency (as defined in the United States Housing Act of 1949) or any obligations of a public housing agency (as defined in the United States Housing Act of 1937) for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Bonds of this state or of any local agency or district of the State of California having the power, without limit as to rate or amount, to levy taxes or assessments to pay the principal and interest of the bonds upon all property within its boundaries subject to taxation or assessment by the local agency or district, and in addition, limited obligation bonds pursuant to Article 4 (commencing with Section 50665) of Chapter 3 of Division 1, senior obligation bonds pursuant to Article 5 (commencing with Section 53387) of Chapter 2.7, and revenue bonds and other obligations payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state, local agency or district or by a department, board, agency or authority thereof.

(d) Bonds of any public housing agency (as defined in the United States Housing Act of 1937, as amended) as are secured by a pledge of annual contributions under an annual contribution contract

1 between the public housing agency and the Public Housing
2 Administration if such contract shall contain the covenant by the
3 Public Housing Administration which is authorized by subsection
4 (b) of Section 22 of the United States Housing Act of 1937, as
5 amended, and if the maximum sum and the maximum period
6 specified in the contract pursuant to that subsection 22(b) shall not
7 be less than the annual amount and the period for payment which
8 are requisite to provide for the payment when due of all
9 installments of principal and interest on the obligations.

10 (e) Registered warrants of this state.

11 (f) Bonds, consolidated bonds, collateral trust debentures,
12 consolidated debentures, or other obligations issued by the United
13 States Postal Service, federal land banks or federal intermediate
14 credit banks established under the Federal Farm Loan Act, as
15 amended, debentures and consolidated debentures issued by the
16 Central Bank for Cooperatives and banks for cooperatives
17 established under the Farm Credit Act of 1933, as amended,
18 consolidated obligations of the federal home loan banks established
19 under the Federal Home Loan Bank Act, bonds, debentures and
20 other obligations of the Federal National Mortgage Association
21 or of the Government National Mortgage Association established
22 under the National Housing Act, as amended, bonds of any federal
23 home loan bank established under that act, bonds, debentures and
24 other obligations of the Federal Home Loan Mortgage Corporation
25 established under the Emergency Home Finance Act of 1970, and
26 obligations of the Tennessee Valley Authority.

27 (g) Notes, tax anticipation warrants or other evidence of
28 indebtedness issued pursuant to Article 7 (commencing with
29 Section 53820), Article 7.5 (commencing with Section 53840) or
30 Article 7.6 (commencing with Section 53850) of this Chapter 4.

31 (h) State of California notes.

32 (i) Bonds, notes, certificates of indebtedness, warrants or other
33 obligations issued by: (1) any state of the United States (except
34 this state), or the Commonwealth of Puerto Rico, or any local
35 agency thereof having the power to levy taxes, without limit as to
36 rate or amount, to pay the principal and interest of such obligations,
37 or (2) any state of the United States (except this state), or the
38 Commonwealth of Puerto Rico, or a department, board, agency
39 or authority thereof except bonds which provide for or are issued
40 pursuant to a law which may contemplate a subsequent legislative

1 appropriation as an assurance of the continued operation and
2 solvency of the department, board, agency or authority but which
3 does not constitute a valid and binding obligation for which the
4 full faith and credit of such state or the Commonwealth of Puerto
5 Rico are pledged, which are payable solely out of the revenues
6 from a revenue-producing source owned, controlled or operated
7 thereby; provided the obligations issued by an entity described in
8 (1), above, are rated in one of the three highest grades, and such
9 obligations issued by an entity described in (2), above, are rated
10 in one of the two highest grades by a nationally recognized
11 investment service organization that has been engaged regularly
12 in rating state and municipal issues for a period of not less than
13 five years.

14 (j) Obligations issued, assumed or guaranteed by the
15 International Bank for Reconstruction and Development,
16 Inter-American Development Bank, the Government Development
17 Bank of Puerto Rico, the Asian Development Bank, the
18 International Finance Corporation, or the African Development
19 Bank.

20 (k) Participation certificates of the Export-Import Bank of the
21 United States.

22 (l) Bonds and notes of the California Housing Finance Agency
23 issued pursuant to Chapter 7 (commencing with Section 51350)
24 of Part 3 of Division 31 of the Health and Safety Code.

25 (m) Promissory notes secured by first mortgages and first trust
26 deeds which comply with Section 53651.2.

27 (n) Any bonds, notes, warrants, or other evidences of
28 indebtedness of a nonprofit corporation issued to finance the
29 construction of a school building or school buildings pursuant to
30 a lease or agreement with a school district entered into in
31 compliance with the provisions of Section 39315 or 81345 of the
32 Education Code, and also any bonds, notes, warrants or other
33 evidences of indebtedness issued to refinance those bonds, notes,
34 warrants, or other evidences of indebtedness as specified in Section
35 39317 of the Education Code.

36 (o) Any municipal securities, as defined by Section 3(a)(29) of
37 the Securities Exchange Act of June 6, 1934, (15 U.S.C. Sec. 78,
38 as amended), which are issued by this state or any local agency
39 thereof.

1 (p) With the consent of the treasurer, letters of credit issued by
2 the Federal Home Loan Bank of San Francisco which comply with
3 Section 53651.6.

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